Rise in inflation

58. PROF. VIJAY KUMAR MALHOTRA:
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Will the Minister of FINANCE be pleased to state:

(a) whether double digit inflation has bounced back into the economy like a recurring virus despite a year of sound agricultural and industrial output and whether the price rise is an inevitable aspect of the new economic policy;

(b) if so, what is the reaction of Government to the bouncing back of the inflation into the economy;

(c) what are the plausible reasons for the rise in inflation; and

(d) the details of the percentage of the rise in prices during 1994 and 1995 as compared to 1992 and 1993?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHADRASHEKHAR MURTHY): (a) to (d) From mid-November of the current financial year the annual inflation rate as measured by the wholesale price index rose to a double digit level. A number of supply and demand side factors were responsible for the price rise. One of the important factors was the monetary expansion because of large accretion to foreign exchange reserves. Govt. has taken steps to limit monetary expansion by, among other things, limiting borrowing from RBI, raising CRR and gradual phasing out of FCNR depoits. The annual rise in wholesale prices in 1994 and 1995 compared to the rise in 1992 and 1993 is shown below:

Annual Rise in Wholesale Prices (%)

	1994	1995	1992	1993
January	9.1	11·1*	13.6	7·6
February	9.5		12·9	7·6
March	10.5		13.6	7·1
April	11.8		13.8	6·9
May	12.0		13.8	6·9
June	11.8		13.0	7.0
July	11.6		11.7	7·3
August	10·2		9.4	8.0
September	8·9		9.6	8·8
October	8·9		10.6	8·5
November	9.2		9.1	8.6
December	9.9		8.5	8·8

*As on January 21, 1995.